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RUEHOT/AMEMBASSY OTTAWA 0355
RUEHML/AMEMBASSY MANILA 1263
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SUBJECT: New Mongolian Central Bank Governor Appointed

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¶1. (SBU) SUMMARY AND COMMENT: After what appears to have been a bruising internal struggle within the ruling Mongolian People's Revolutionary Party (MPRP), A. Batsukh has been appointed the Bank of Mongolia's new governor for a six-year term, replacing the controversial O. Chuluunbat. Batsukh was previously the Deputy Governor of the bank, but appeared to have little substantive role in the bank. Only time will tell whether Batsukh will pursue a more rigorous approach to banking supervision than his problematic predecessor. A long-time civil servant with a Ph.D in Economics and a Master's degree from the University of Illinois, Batsukh appears free of the business entanglements that compromised his predecessor's tenure as bank head. However, he is an MPRP stalwart whose low-key style deference to his party may make him easily susceptible to political pressures. END SUMMARY AND COMMENT.

¶2. (U) Mongolia's parliament voted on November 2 to confirm Alagiin Batsukh as the new governor of Mongolia's central bank, or Bank of Mongolia (BOM). Batsukh had previously served as the bank's deputy governor since 2000 under O. Chuluunbat, whom he now replaces. Chuluunbat's six-year term as bank governor expired at the end of September.

¶3. (SBU) The 30 to 14 vote confirming Batsukh fell mostly along party lines of MPs present for the vote, with one MPRP member joining Democrats in voting against the appointment. The vote followed weeks of contentious debate as opposition Democrats demanded a thorough accounting of the Bank's management under Chuluunbat before agreeing to a vote. While the MPRP put up a united front in public to thwart any meaningful investigation of Chuluunbat's management, intra-party strife erupted behind closed doors between those MPRP members who wanted the former governor re-appointed to a second term, and those who wanted him out. The "outers" finally carried the day when Parliament Speaker N. Nyamdarj nominated Batsukh. A senior MPRP official told emboff that Nyamdarj had strongly pushed for Batsukh within the party.

¶4. (SBU) Chuluunbat reputedly earned the gratitude and loyalty of then MPRP head Enkhbayar for providing key financing for the party's 2000 election campaign, which returned the MPRP to power and led to

Enkhbayar becoming Prime Minister (Enkhbayar was elected President in 2005). Appointing Chuluunbat as Mongolbank head was an early act of the new MPRP government. Chuluunbat's controversial tenure as governor was marked by allegations of corruption, conflicts of interest, negligent oversight of Mongolia's banking sector and preferential treatment given to favored banks and businesses. Chuluunbat, it is widely believed, owns stock in several private banks. Critics (including a past IMF representative) complained that he acted more like a venture capitalist, running the Central Bank as if it were a commercial bank. His failure at enforcement of banking regulations is blamed for weakening the Mongolia banking system as a whole and, consequently, keeping interest rates high.

Batsukh's CV

15. (U) Batsukh was born in Ulaanbaatar in 1962. In 1984, he graduated from the State People's Economic Institute in Irkutsk, Russia with a degree in Construction Engineering. Between 1984 and 2000, he worked in the State Planning Commission and the Central Economic Institution as a specialist, board deputy director and then director. He went on to obtain a Master's Degree in Economics from the University of Illinois in 1998 (where he submitted his thesis on monetary policy), and then a Ph.D in Economics from the National State University of Mongolia in 2002. In 1993, graduated from a "Tsog" private foreign language school in Mongolia as Interpreter of English. He has been serving as Mongolbank Deputy Governor since 2000.

Batsukh: Light and Dark

16. (SBU) The banking sector views Batsukh as bit of an enigma. Although deputy governor for six years, he remained quiet and out of

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the way. Most observers believe that he had little influence at the bank. He is by reputation a very partisan MPRP man, historically an ally of Former Minister of Finance and current MP Ulaan, but it is hard to say to whom or to what group in the MPRP he is aligned now. The senior MPRP official confirmed to emboff that Batsukh has strong ties to Nyamdorj, but refused to be drawn on what these are; rumors suggest a financial tie between the two men. He appears less tainted by the corruption's brush, but the local press has reported rumors that he was involved in the misappropriation of Asian Development Bank funds. One bank confided to us that he tried to strong-arm them into hiring an unqualified relative several years back.

17. (SBU) On the brighter side, some younger, fairly well-respected MPRP cadres think he is an honest broker who has changed his "old commie" stripes. He recently headed up the working group drafting anti-money laundering legislation which was passed by the Parliament this summer. One big plus: He is not Chuluunbat. Batsukh holds a Ph.D in economics and comes from a strong civil service background. Chuluunbat, on the other hand, is a businessman with a grab bag of investments, including banking ones. Batsukh seems to be free of most of the commercial complication that caused his predecessor to protect cronies. On the other hand, he may not be able to withstand the political pressures which could be deflected by the Chuluunbat, who was strong-willed and had the benefit of his personal links to Enkhbayar.

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